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BUSINESS & ENTREPRENEURSHIP

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BUSINESS PET ECONOMY”

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Chair Ernst, Ranking Member Markey, and distinguished Members of the Committee: Thank you for the opportunity to testify today.

My name is Joshua Rodgers, and my wife Ashley and I own and operate seven Camp Bow Wow dog daycare, boarding, and grooming locations across Missouri, Colorado, and Florida. As a pet care owner operating with the franchise model, today I look forward to sharing the economic outlook for franchising, my perspective on how several recent congressional policies affect small business, and the need for Congress to enact the American Franchise Act – a new proposal to solve an old problem.

As a franchise owner, I appear today on behalf of the International Franchise Association (IFA), the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations, and educational programs to protect, enhance and promote franchising and the approximately 832,521 franchise establishments that support nearly 8.8 million direct jobs and \$907.3 billion of economic output, representing almost 3 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees, and companies that support the industry in marketing, law, technology, and business development.

We love animals, and we love operating in the U.S. pet industry, which is a massive, \$157 billion-dollar industry, according to the American Pet Products Association. The pet care market could reach \$228 billion by 2030. That's no surprise considering 94 million households own at least one pet and 51% of those pet owners own dogs. The opportunity for boarding, daycare and grooming alone is \$13 billion and as a Camp Bow Wow owner, we believe we're positioned to support this continued growth.

Thanks to the franchise growth model, we currently employ dozens of Americans in each of the communities we serve, and we expect to be operating in five states by year's end. Ashley and I are first generation college graduates who come from very humble beginnings. My father is a plumber, my mother a seamstress. Both business owners, who struggled immensely in my early years, are now successful, but only after a lot of hard work and sacrifice. My wife and I did not have a roadmap to successful entrepreneurship, but what we did have was an idea, a local need in our community for premiere pet care and a combined determination to partner with a franchise business model to increase our success rate. The Camp Bow Wow franchise model enabled an aspiring small business owner to go into business for ourselves, but not by ourselves. That combination allowed us to open our first location in April 2022, break even in six weeks, and grow to seven locations in fewer than four years.

My testimony highlights the power of franchising, an all-American business model that is far more than the 8.8 million direct jobs and roughly 832,521 establishments across America. Franchising is more than just numbers on a page – it is a powerful method for business growth in hundreds of industries, including restaurants, hospitality, personal care, pet care, security, home care, fitness, and real estate, and provides business ownership opportunities to individuals who may not have the opportunity otherwise but feel empowered to be a part of a team, to find a purpose, and to be a part of brand that is greater than themselves – all the while, helping to positively affect the lives of their employees, family, and communities as a small business owner.

To add, the franchise business model allows franchisees, like myself at Camp Bow Wow, to immediately benefit from the franchisor's existing supply chain, marketing tools, and operational systems, while we maintain control of day-to-day operations, staffing, and local marketing. Every

franchise owner is driven by something, has a dream that may not only be monetary, but is willing to make a difference, and statistically, the benefits of franchising speak for themselves: for example, franchising drives 1.4 times higher sales than comparable non-franchise establishments, and 2.1 times as many jobs than non-franchise counterparts.

For franchisors and franchisees alike, the model is a win-win, and I look forward to speaking on its benefits.

## The Franchise Model

Despite how it is often characterized, franchising is not an industry, rather it is a business growth model used *within* nearly every industry. At its core, franchising is about the relationship between the franchisor and its franchisees – how the franchisor supports its franchisees, the franchisor’s brand value, and how the franchisee, like myself, then meet the franchisor’s obligations to deliver the products and services to the system’s brand standards. For me, that is delivering high quality care in a safe and fun environment for our pet parents and four-legged customers.

The franchise relationship is a long-term relationship that spans a decade and in many cases more than 20 years. These long-term relationships only work where the parties can trust that the relationship and the expectations each party has of the other will remain stable.

Often, franchising is mischaracterized as “big business,” yet it is not. Franchises are first a local business, like my wife and mine, distinguished from other local businesses because we have licensed the branding and operational processes from a franchisor – for me, that is Camp Bow Wow – while operating independently in a defined market – which in our case, spans across four states in multiple communities after starting right where we call home. In fact, 85% of franchisees live in the same community where they operate their business. As the local owner, I am responsible for hiring staff, organizing schedules, managing payroll, and all daily operational tasks as well as local sales and marketing.

The value of franchising then lies in a strategic balance in the relationship between a franchisor and franchisee: the independence for me as a franchisee to manage the day-to-day operations and connections with my employees, consumers and the local community, balanced with the franchise system giving aspiring small business owners like me a head start toward becoming my own boss, with a proven business model that can set up new business owners for success and easier access to financing than a traditional business.

This franchise model has allowed me as a franchise owner to become entrepreneurial, where we set and accomplished a goal of serving over 100 dogs a day at our first location which we built from the ground up. As we grew, we expanded to new locations across four states – serving more local communities and creating more jobs. Lastly, as we have grown, we also grew our partnerships and charitable endeavors – a hallmark of local franchise businesses. Over 83% of franchisees give to local charities last year, donating an estimated \$2.3 billion to charity, raising \$2.6 billion, and sponsoring 34 million hours of volunteer activity. For example, we partner with our local shelters helping foster dogs get adopted within our customer base and work with local grooming training centers, such as Pawsperity to hire new aspiring groomers who are at risk-single parents, looking to get out of poverty by becoming skilled pet groomers.

These opportunities go beyond charitable giving, as franchising provides a pathway to career

growth at faster rates than their independent counterparts, with part-time franchise employees were 20% more likely to switch to full-time than non-franchises. Further, retention rates at franchised businesses were significantly better than those of similarly situated non-franchised businesses with employees at a franchise location 50% more likely to stay after one year of employment. Lastly, franchise employees experience higher wage growth and better benefits than their non franchise counterparts.

## 2026 Franchising Economic Outlook

For the last several years, franchising has exceeded economic expectations and surpassed the rate of growth of the broader economy. Last month, IFA released its annual Franchising Economic Outlook for 2026, and franchising is experiencing tremendous growth. The report, conducted by FRANdata, an industry-leading research and analytical firm, is IFA's annual study that details the franchise sector's performance for the past year and projected economic outlook for the year ahead. It also provides an in-depth state outlook for all 50 states and Washington, D.C.

The report positively notes that even in the face of ongoing economic uncertainty, franchise growth exceeded expectations and continues to be forecast for a strong year ahead due to the resilience of the business model. The 2026 Franchising Economic Outlook projects over 12,000 new franchised businesses in 2026, with economic output for the sector rising by 1.6%, exceeding \$920 billion dollars and providing 8.9 million jobs.

Some other key highlights from the report that I wanted to bring to the Committees' attention are:

- The number of franchise establishments will grow from 832,521 to 845,000 units – an increase of 1.5%.
- Franchise employment is anticipated to increase by more than 150,000 jobs (1.8%) to nearly 8.9 million jobs.
- Franchise output is expected to rise from \$907.3 billion to \$921.4 billion – an increase of 1.6%.
- Total franchise GDP is estimated to grow by 1.8% from \$549.9 to \$558.4 billion.
- Fueled by business-friendly policies, lower cost of living, and population growth, the Southeast and Southwest regions are expected to maintain their positions as the top regions for franchised business expansion in the United States, growing at rates of 1.7% and 2.5%, respectively.
- The top 10 fastest-growing states for franchising in 2026 are: Texas, Florida, Georgia, Arizona, North Carolina, Colorado, Michigan, Utah, Ohio, and Maryland.
- Michigan, Ohio, and Utah have emerged as new entrants among the top 10 states due to their comparative affordability, expansion potential, and meaningful opportunities for market leadership.

Pet services, including grooming, boarding, daycare, and veterinary care, are expected to be among the fastest-growing segments in the pet industry at a year-over-year rate of around 7-8% in key areas. Other notable trends among industries include:

- Since the pandemic, rising awareness of preventive pet healthcare and wellness has propelled veterinary services and related offerings to become one of the largest and fastest-growing franchised sectors in the pet industry.
- With youth unemployment remaining elevated, pet care franchises and establishments play

an increasingly important role in creating entry-level job opportunities for young people entering the workforce, supporting overall labor market resilience through roles in grooming, kennel assistants, doggy daycare, and more.

- Successful single-unit pet care franchisees, like I started, are increasingly reinvesting in additional locations, transitioning into multi-unit operators to achieve scale, leverage operational expertise, and expand services like combined grooming, daycare, and boarding facilities.
- In the pet travel and lodging space (including boarding and pet-friendly accommodations), high-income pet owners continue spending on personalized and “experiential luxury pet care,” such as upscale boarding with spa-like amenities, while value-conscious consumers scale back on non-essential trips or services.
- Similarly, for the first time since the pandemic, premium and experiential pet care services (such as luxury boarding, daycare, and grooming) are outpacing more basic offerings. Pet owners are shifting preferences toward “experiential pet parenting” — focusing on enrichment, socialization, and wellness — rather than purely essential or value-driven options.

So, as we enter into 2026, the economic outlook for franchising is strong and promising. We have favorable economic conditions and supportive regulatory policies which are helping pave the way for such expected growth and expansion across various sectors in franchising. With further policy changes, franchises will be even more poised to thrive and open the door to new business owners and jobs across the country.

## SBA Lending: What is working and what needs to change

Next, I’d like to speak about the importance of the Small Business Administration (SBA) and the access to capital that its lending programs provide for entrepreneurs, like myself, to become franchise owners within a franchise system, like Camp Bow Wow.

We have relied on the SBA 504 loan program to finance our growth, and it has performed exactly as Congress designed it to. The 504 program’s structure — favorable rates, real estate eligibility, and partnership with community banks — is well-suited to a business model built around owning commercial facilities rather than leasing them. The program works, and it deserves continued congressional support.

However, speaking for myself, I must raise a concern that I believe warrants urgent attention: the SBA 504 borrowing cap of \$5 million is no longer adequate for small businesses that are successfully scaling in today’s market. A single well-located commercial acquisition, including building costs, equipment, and working capital, can consume the majority of that cap. With two additional locations planned this year, we anticipate reaching the ceiling in the near term — which would force us onto conventional financing at materially higher rates or require us to slow our growth. Neither outcome advances the goals of the program. I respectfully urge this Committee consider whether the \$5 million cap is adequate in today’s economy.

## Tax Policies that Supported Small Businesses

Last summer, Congress enacted the One Big Beautiful Bill (OB BB), which provided critical tax relief to small businesses, making permanent provisions like the 199A small business deduction, bonus depreciation, and no tax on tips.

**Bonus Depreciation.** This is perhaps the single most impactful provision in the bill for operators like me. For example, when we acquired our Liberty, Missouri, location in September 2025, we were able to immediately deduct much of that cost, freeing up capital that was reinvested directly into facility improvements, equipment, new signage, and our next location in Kansas. When bonus depreciation was scaled back to 60 percent in prior years, our reinvestment capacity contracted accordingly. Permanent 100 percent expensing is an investment in the communities where we operate and the workers we employ.

**Section 199A Pass-Through Deduction.** As the owner of a pass-through entity, the Section 199A deduction provides meaningful tax parity between small business owners and larger corporations. The OB BB made the 20% deduction for qualified business income permanent, removing the uncertainty that has complicated long-term business planning for millions of entrepreneurs.

**No Tax on Tips.** Pet groomers, kennel technicians, and customer-facing staff depend on gratuities as a meaningful part of their take-home income. The OB BB No Tax on Tips language puts more money in the pockets of working Americans and reduces administrative complexity for small business owners.

**Work Opportunity Tax Credit (WOTC).** WOTC is a federal tax credit available to employers for hiring and employing individuals from certain targeted groups who have faced significant barriers to employment, including SNAP recipients, supplemental security income recipients, ex-felons, and certain veterans. According to Department of Labor statistics, WOTC supports the hiring of around two million such individuals annually. IFA supports support efforts to strengthen WOTC and expand its eligibility to additional groups.

## Extending the FICA tip credit to the Pet Industry

For over 25 years, restaurant employers have been entitled to a federal tax credit for the FICA payroll taxes they pay on employee tip income under Section 45B. The policy rationale is sound: tips are income generated by the employee's own service, and penalizing employers for a cost they did not create is poor policy. The One Big Beautiful Bill extended the 45B tax credit for the purposes of cash tips to certain "beauty services" businesses where the tipping of employees is customary. The services provided by our pet groomers fall squarely within any reasonable interpretation of "beauty services." Our groomers provide services that are fundamentally aesthetic in nature, including hair cutting, styling, and shampooing – services that are analogous to those provided in human salons. For this reason, Camp Bow Wow joined a coalition of 23 trade associations and pet grooming companies to send a letter to the Treasury Department to clarify that pet grooming business can in fact utilize the expanded Section 45B credit.

Extending the FICA tip credit to pet grooming would reduce payroll tax costs for small service-sector employers, deliver a meaningful benefit to frontline workers, and eliminate a distinction that has no principled basis in policy. This is a common-sense clarification the Treasury Department can make to help the pet industry.

# The American Franchise Act: Securing the Future of Local Ownership

Finally, I urge this Committee to support and enact the American Franchise Act (AFA). This bipartisan, bicameral legislation is essential to ending a decade of "regulatory whiplash" that has threatened the independence of small business owners like myself.

The franchise model functions because franchisors and franchisees maintain clearly defined, independent roles. I am an independent small business owner. I hire my own employees, manage my own operations, and bear my own financial risk. I am not a managed employee of Camp Bow Wow corporate, nor are my employees. I am a business owner who benefits from their training, standards, and brand, just as they benefit from my investment and performance.

The ambiguity in the joint employer standard, caused by four changes in the last decade, threatens this relationship. When franchisors cannot provide operational guidance, safety training, or workplace support without risking joint employer liability, the franchisees who depend on that support are the ones who suffer. S.3525, the American Franchise Act, introduced by Senators Roger Marshall and Angus King solves this problem by codifying a narrow joint employer standard for franchising. I urge all members of this Committee to support the American Franchise Act, which is perhaps the easiest way to help the franchised segment of the pet industry.

## Conclusion

Madam Chair, in under four years, my wife and I have built a seven-location, multi-state small business that employs 140 Americans, and serves thousands of pet parents across the Midwest, Mountain West, and Gulf Coast. That growth was not accidental. It was the product of hard work, the franchise model, and a policy environment – SBA lending, smart tax treatment, and regulatory clarity – that gave us the tools to compete.

Now we need Congress to clear up the unnecessary hindrance to the all-American business model of franchising by passing the American Franchise Act into law this year. It is the most important, bipartisan achievement Congress can enact in 2026 for franchise small businesses.

Thank you for the opportunity to testify. I welcome any questions the Committee may have.